

Internal Revenue Service
District Director

Department of the Treasury

Post Office Box 1680, GPO
Brooklyn, NY 11202

Date: **MAR 29 1993**

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(6) of the Internal Revenue Code.

The evidence presented disclosed that you were incorporated on [REDACTED] under the not-for-profit corporation law in the State of [REDACTED].

The purpose or purposes for which the corporation is formed are as follows:

To promote, foster and advance in every lawful manner, the common interests and goals of [REDACTED] distributors on [REDACTED], in [REDACTED]; to cement and solidify friendly relations, good fellowship and cooperation among said distributors; to further and enhance the knowledge, experience and current learning and techniques of said distributors; to organize, hold and conduct meetings, discussions and forums on contemporary issues affecting those engaged in the business of beverage distribution; to disseminate information on current trends and developments in connection with improving working safety and with the beverage distribution industry in general; to advocate and encourage the exchange of ideas among its members and to give proper consideration to questions affecting the beverage industry; to acquire, assemble, preserve and distribute valuable business information essential for the adequate conduct of the beverage distribution business; to maintain, develop, improve and enhance the business standards, practices and ethics of those engaged in beverage distribution; to aid, assist, cooperate and otherwise engage in concerted action with private and governmental agencies, organizations and institutions on all issues involving the work of those engaged in the beverage distribution industry and generally to endeavor to improve and enhance the conditions and practices of the trade and industry by all available means and methods. However, nothing herein shall authorize this corporation to control or otherwise deal with prices or to restrict competition, nor to interfere with its members in the independent conduct of their business.

The information submitted with your application indicates that your activities include negotiating commission structures on new and existing products with the bottling company, serve as a liaison for disputes between individual distributors and the bottling company, participate with the bottling company in developing promotions and discounts to retail outlets and serve to establish friendly relations and cooperation among the individual [REDACTED] distributors.

In addition, your organization consists of approximately [REDACTED] ([REDACTED]) independent distributors, all of whom have a legal agreement with the [REDACTED]. Under the terms of this agreement, each distributor is solely responsible for the distribution of [REDACTED] and other soft drink products (as manufactured or purchased by the bottler) within their designated geographic territory.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues not organized for profit, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having some common business interest, the purpose of which is to promote such common interest. Its activities should be directed towards the improvement of business conditions in one or more lines of business as distinguished from the performance of particular services for individual persons.

In Revenue Ruling 58-294, 1958-1 C.B. 244 an association was organized and operated for the purpose of promoting uniform business, advertising and fair trade practices in connection with the manufacture and sale of a certain patented product. Membership in the association was limited to any person, firm, or corporation licensed to manufacture and sell the specified product. It was held that since the association was engaged in furthering the business interests of the dealers in the particular patented product, rather than the improvement of business conditions of one or more lines of business, it does not qualify for exemption from Federal income tax as a business league under section 501(c)(6) of the Code.

In Revenue Ruling 68-182, 1968-1 C.B. 263 it is held that organizations promoting a single brand or product within a line of business do not qualify for exemption from Federal income tax under section 501(c)(6) of the Code.

In the case of National Muffler Dealers Association v. U.S. 440 U.S. 472 (1979) the court held that an association of a particular brand name of muffler dealers does not qualify for exemption because the association is not engaged in the improvement of business conditions of a line of business.

Like the organizations described above, your activities are only furthering the business interests of [REDACTED] and not improving the business conditions of one or more lines of business. Your organization does not represent a line of business, it comprises only a segment of a line business.

In the case of National Prime Users Group, Inc. v. U.S., 60 AFTR 2nd 87-5564 (D. Md. 1987) the court held that the organization does not qualify for tax exempt status because it promoted the products of only one manufacturer rather than the entire industry.

In Pepsi-Cola Bottlers Association v. U.S., 369 F. 2nd 250 (1966), the organization was denied exemption because it was not promoting a line of business but a particular brand.

Like the organizations referred to in the above court cases your organization is not following one of the requirements of a business league as defined in Federal Income Tax Regulations section 1.501(c)(6)-1 in that the activities must be directed to the improvement of business conditions of one or more lines of business as distinguished from promoting the products of only one bottler.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(6) of the Code and propose to deny your request for exemption under that section.

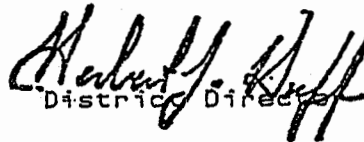
You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,


District Director

Enclosure: Publication 892